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IN THE

Supreme Court of the United States

THE AMERICAN BRAKE SHOE AND FOUNDRY COMPANY,

Petitioner,

against

ALLTEX PRODUCTS CORPORATION,

Respondent.

PETITION FOR WRIT OF CERTIORARI TO THE CIRCUIT COURT OF APPEALS FOR THE SECOND CIRCUIT, AND BRIEF IN SUPPORT THEREOF

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PETITION FOR WRIT OF CERTIORARI TO THE CIRCUIT COURT OF APPEALS FOR THE SECOND CIRCUIT

To the Honorable, the Chief Justice of the United States, and the Associate Justices of the Supreme Court of the United States:

The American Brake Shoe and Foundry Company, petitioner, prays for a writ of certiorari to review a judgment of the United States Circuit Court of Appeals for the Second Circuit entered March 20, 1941 (R. 2091), affirming a judgment entered June 20, 1940, by the United States District Court for the Southern District of New York, dismissing the complaint after a trial on the merits (R. 31).

STATEMENT OF THE MATTER INVOLVED

The action is for unfair competition, and infringement of the trade-mark "American Brakeblok", registered under

the Trade-Mark Act of March 19, 1920 (U. S. C. A. Tit. 15, Secs. 121 and following), and of its abbreviations "Brakeblok" and "Brake Block" (R. 6). The product to which the mark is applied is brake lining in long, narrow strips for passenger automobiles (R. 4) as distinguished from the short, thick blocks known in the trade as "brake blocks" which are used only "for the heavy work of buses and trucks" (R. 2086). Designed for the great heat generated in brakes of heavy duty vehicles, brake blocks are not interchangeable with passenger car lining, either in form or function (R. 691-2), and their use is confined to one per cent of the motor vehicles produced in the United States (Exs. 19, 62a, 63; R. 561, 564-6, 709-10, 719). As the Court of Appeals said: "the controversy does not concern them" (R. 2087), but only the brake lining used on passenger cars.

Plaintiff complains of the defendant's use of "National Brake Block" as a trade name for its passenger car brake lining, which results in the passing off of the defendant's lining for the plaintiff's by retail dealers (R. 6). Defendant's product, introduced as "Alltex Brake Lining" (Ex. 31; R. 1120), changed its name, by a gradual metamorphosis in which "Alltex" became "National" and "Brake Lining" became "Brake Block", emerging as "National Brake Block", in script type (Exs. 31-33) immediately subsequent to the time plaintiff changed from block type to script (Ex. 120).[1] The new name was adopted with the knowledge of the defendant's officers that "American Brakeblok" was the plaintiff's "trade name" (R. 1122-3, 1192). Indistinguishable from "American Brakeblok"

[1]The marks are illustrated, *post* p. 24.

when affixed to brake shoes (R. 856, 859, 1030), "National Brake Block" is sold without consumer advertising (R. 484), at prices below the plaintiff's product (R. 1303, 773-4, 795-6, 817), and has enjoyed increased sales under the new name (R. 1094).

The District Court found:

> "The plaintiff has established a secondary meaning of *'American Brakeblok'* as indicating that it is the maker of the goods so marked" (R. 30).

The Court of Appeals held that its abbreviation, "Brake Block", had likewise acquired such a meaning, stating:

> "there are a substantial number of people who understand 'brake block' to mean the plaintiff's linings" (R. 2089), and
>
> "there are (car) owners who prefer the plaintiff's linings and expect to get them when they ask for 'brake block' " (R. 2090; interpolation ours).

Continuing, the Court of Appeals said:

> "Apparently, unscrupulous dealers substitute the defendant's linings for the plaintiff's when they know that the owner wants the plaintiff's; and indeed there is some evidence that the defendant's own salesmen have advised dealers to do just this" (R. 2089).

The evidence to which the Court alludes is the sale of "National Brake Block" on orders for "American Brakeblok" (Exs. 88, 91, 104) and "Brakeblok" (Exs. 82, 85-87), and the avowal of defendant's salesmen, called as wit-

nesses for the defendant, that they advised dealers that if they receive a call for "Brake Block" lining "it is all right for them to deliver National Brake Block" (R. 1316, 1319). Far from disavowing these proposals of its salesmen, defendant ratified and defended them as being proper when made, and proper to be repeated, not only by salesmen, but in the trade name on the label (R. 1502-3).

Upon the foregoing facts, the plaintiff urged upon the Trial Court the applicability to this case of the Federal Trade-Mark Act of 1920, the effect of that Act, and the principle of secondary meaning, as stated by this Court in *Armstrong Paint & Varnish Works* v. *Nu-Enamel Corporation,* 305 U. S. 315; pointing out that "Brake Block", like "Nu-Enamel", had acquired a secondary meaning as the trade name of the plaintiff's goods; that "American Brakeblok" (abbreviated "Brake Block" by car owners and dealers; R. 2089, 2090), like "Nu-Enamel", was registered under the Trade-Mark Act of 1920; and that "National Brake Block" was passed off on calls for "American Brakeblok" (R. 88, 91, 104) and "Brakeblok" (R. 82, 85-87), just as "Armstrong's New Beauty Enamel" was passed off on calls for "Nu-Enamel". Plaintiff, therefore, prayed for the relief approved by this Court under the same circumstances in the *Nu-Enamel* case (305 U. S. 315, 335), namely, an injunction against the use of "Brake Block", in a denominative way, as the dominant part of the trade name of the defendant's brake lining.

The Trial Judge said he found the decision of this Court in the *Nu-Enamel* case "extremely difficult to understand" (R. 1485), and most of the argument was devoted to a colloquy between the Court and counsel as to its meaning (R.

1445-51, 1471-1500). In the end, the Court disapproved it, stating:

> "There has been a new deal, or I might say a Nu-Enamel in trade-marks" (R. 1471).
>
> * * * * *
>
> "I think that is a very extraordinary decision myself. I do not think I would agree with it at all if the Supreme Court had not been in on it. If it came from the Seventh Circuit, I don't think I would pay any attention to that decision whatever" (R. 1489).

As the *Nu-Enamel* case is simply a restatement of the law of secondary meaning, as applied to descriptive words, the Trial Court's disagreement with the decision is a disagreement with the principle itself. Declining to receive proposed findings, the District Court dismissed the complaint, and made its own findings and conclusions, with the observation:

> "For the form of these findings, I am following *Armstrong Co.* v. *Nu-Enamel Corp.*, 305 U. S. 315, at 321" (R. 28).

The findings which were followed, however, were not those approved by this Court, but by the District Court for the Northern District of Illinois, Eastern Division, upon which the Circuit Court of Appeals of the Seventh Circuit reversed (95 Fed. (2d) 448). This Court affirmed the judgment of the Circuit Court of Appeals (305 U. S. 315).

Without citing or referring to the *Nu-Enamel* case, the Court of Appeals here affirmed, on the grounds:

(1) The defendant's product reaches the car owner affixed to brake shoes by garage keepers, with the label, "National Brake Block", removed. Therefore, said the Court: "If a dishonest repair shop or service station has meanwhile substituted the defendant's lining, the defendant's use of the word 'brake block' has not helped him in the fraud" (R. 2090).

(2) "To succeed, the plaintiff was therefore bound to show that repair shops or service stations were deceived, and that it failed to do" (R. 2090).

(3) "There is no evidence to impute to the defendant the proposals of some of its salesmen that dealers should fraudulently substitute the defendant's linings for the plaintiff's" (R. 2090).

THE GROUNDS UPON WHICH THE JURISDICTION OF THIS COURT IS INVOKED

The jurisdiction of this Court to grant a writ of certiorari is invoked under Tit. 15, Sec. 97 of the Trade-Mark Act of 1905, and Tit. 28, Sec. 347 of the Judicial Code. Original jurisdiction arises from diversity of citizenship (U. S. C. A. Tit. 28, Sec. 41), the Trade-Mark Act of 1920) (*Ibid,* Tit. 15, Secs. 121 and following), and the requisite amount in controversy.

The case believed to sustain the jurisdiction of this Court to grant a writ of certiorari in the present case is *Armstrong Paint & Varnish Works* v. *Nu-Enamel Corporation,* 305 U. S. 315. The refusal of the Courts below to follow it is the principal ground for this petition.

THE QUESTIONS PRESENTED

Four fundamental questions in the law of unfair competition and trade-marks are presented:

(1) Whether it is not incumbent upon the lower Federal Courts to follow the decisions of this Court in the interpretation of Federal Statutes? In this case, the Circuit Court of Appeals failed to give effect to the Trade-Mark Act of 1920 as construed in *Armstrong Paint & Varnish Works* v. *Nu-Enamel Corporation,* 305 U. S. 315, and the District Court disagreed with that decision. The applicable portions of this Act are printed in the appendix, page 25.

(2) Whether the principle, heretofore declared by this Court, that "One who induces another to commit a fraud, and furnishes the means of consummating it, is equally guilty and liable for the injury" (*Warner & Co.* v. *Eli Lilly & Co.,* 265 U. S. 526, 530), is rendered inapplicable by the fact that retail dealers remove the fraudulent label before passing off defendant's goods on consumers as the plaintiff's?

(3) Whether, to succeed, the plaintiff in an unfair competition and trade-mark case is bound to show the deception of retail dealers?

(4) Whether a manufacturer of brake lining bearing a trade name, which is deceptively similar to the plaintiff's, is responsible for "the proposals of some of its salesmen that dealers should fraudulently substitute the defendant's linings for the plaintiff's" (R. 2090), especially when it approves and defends them?

THE REASONS RELIED ON FOR THE ALLOWANCE OF THE WRIT

The Court below has decided all these questions contrary to the fundamental law of unfair competition and trade-marks as heretofore laid down by this Court.

I. It has found the facts which require the relief approved in *Armstrong Paint & Varnish Works* v. *Nu-Enamel Corporation,* 305 U. S. 315, 335, but has denied it. In the *Nu-Enamel* case, it was said (p. 322):

> "We granted certiorari on account of the importance in trade-mark law of the issues of the descriptive character of the mark and the effect of its acquired meaning under the Trade-Mark Act of 1920."

Exactly the same reasons exist in this case, except that here there are the following additional reasons: (1) The District Judge has disapproved of that decision; (2) The Circuit Court of Appeals has tacitly sanctioned this disapproval; (3) The Court of Appeals has denied the relief required by the *Nu-Enamel* case, on grounds held untenable by this Court in other cases hereinafter considered.

II. In *Warner & Co.* v. *Eli Lilly & Co.,* 265 U. S. 526, 530, this Court laid down the rule that "One who induces another to commit a fraud, and furnishes the means of consummating it, is equally guilty and liable for the injury". Under similar circumstances, the same principle was applied in *Coca-Cola Co.* v. *Koke Co.,* 254 U. S. 143, 255 Fed. 894, 235 Fed. 408; *Coca-Cola Co.* v. *Gay-Ola Co.,* 200 Fed. 720, cert. den. 229 U. S. 613 (approved in *Warner & Co.*

v. *Eli Lilly & Co.*, 265 U. S. 526, 530); *Federal Trade Commission* v. *Algoma Lumber Co.*, 291 U. S. 67. The facts upon which this principle was thus declared are identical with those upon which the Court of Appeals declined to follow it in the present case; that is, the imitation goods were removed from the manufacturer's original package by retail dealers, and passed off without the manufacturer's label.

III. This Court has long held that it is unnecessary to show actual deception of retail dealers, or any one (*Warner & Co.* v. *Eli Lilly & Co.*, 265 U. S. 526, 530; *Federal Trade Commission* v. *Winsted Hosiery Co.*, 258 U. S. 483, 493), but only the "tendency or likelihood" of deception of the "ordinary purchaser" (*McLean* v. *Fleming*, 96 U. S. 245, 256; *Amoskeag Mfg. Co.* v. *Trainer*, 101 U. S. 51, 56, 63). In the present case, the Court of Appeals has found the facts which establish the likelihood of deception of both ordinary purchasers and retail dealers, but has refused to grant the relief that such a finding requires.

IV. In refusing to hold the defendant responsible for the fraudulent proposals of its salesmen, the Court of Appeals has contravened the decision of this Court in *Warner & Co.* v. *Eli Lilly & Co.*, 265 U. S. 526, where a manufacturer was held liable for proposals of this kind. It, likewise, has violated the elementary rule of agency that a principal is liable for the acts of its agents within the scope of their apparent authority, especially when the principal approves, defends and clings to the benefits of their fraudulent conduct.

V. This defendant made the same fraudulent proposal to dealers by a deceptive trade name on its label that the

Court below condemned its salesmen for making orally. Therefore, the right to the relief sought is implicit in the opinion of the Court of Appeals. Failure to give it, disregards principles of trade-mark law hitherto considered established, and will result in doubt and uncertainty in the business community concerning rights in trade-marks, and the usefulness of Federal Statutes designed to protect them.

WHEREFORE, your petitioner respectfully prays that this petition for review on writ of certiorari to the United States Circuit Court of Appeals for the Second Circuit be granted.

Respectfully submitted,

EDWARD S. ROGERS,
Attorney for Petitioner.

May 29, 1941.

BRIEF IN SUPPORT OF PETITION

THE OPINIONS OF THE COURTS BELOW

The District Court wrote no opinion, making its decision in the form of Findings of Fact and Conclusions of Law (R. 28). The opinion of the Court of Appeals is reported in 117 Fed. (2d) 983, and printed at pages 2086 to 2090 of the record.

JURISDICTION

The grounds of jurisdiction are stated in the petition.

STATEMENT OF THE CASE

A statement of what is material to the consideration of the questions presented is contained in the petition.

SPECIFICATIONS OF ERRORS TO BE URGED

It is urged that the Circuit Court of Appeals for the Second Circuit erred in affirming the Court below on each of the grounds assigned by it as the basis of its decision, as summarized at pages five and six of the petition, and in failing to follow *Armstrong Paint & Varnish Works* v. *Nu-Enamel Corporation,* 305 U. S. 315.

SUMMARY OF ARGUMENT

The argument is summarized in the petition, in "The Reasons Relied on for the Allowance of the Writ".

ARGUMENT

I. In the present case, the Court of Appeals has found all the facts essential to a decree in the form approved in *Armstrong Paint & Varnish Works* v. *Nu-Enamel Corpo-*

ration, 305 U. S. 315, and other secondary meaning cases. Finding that "American Brakeblok" has achieved a secondary meaning identifying plaintiff's goods, that "there are a substantial number of people who understand" its abbreviation " 'brake block' to mean the plaintiff's linings" (R. 2089), and that "there are owners who prefer the plaintiff's linings and expect to get them when they ask for 'brake block' " (R. 2090), the Court of Appeals has found the facts which require the conclusion that "Brake Block" has acquired a secondary meaning as the trade name of the plaintiff's product (*Armstrong Paint & Varnish Works* v. *Nu-Enamel Corporation,* 305 U. S. 315; *Elgin National Watch Co.* v. *Illinois Watch Co.,* 179 U. S. 665; *O'Cedar Corporation* v. *F. W. Woolworth Co.* [C. C. A. 7] 66 Fed. [2d] 363; *Barton* v. *Rex-Oil Co.* [C. C. A. 3] 29 Fed. [2d] 474). Indeed, as the real brake blocks are used only on heavy duty trucks and buses comprising 1% of all motor vehicles, they are practically unknown in their primary sense to the drivers of passenger cars, and to service stations which repair them (R. 60-1, 102, 140, 147, 151, 252, 270, 314, 341, 428, 432). To the users of passenger car brake lining, therefore, the words "Brake Block" are known only for their secondary meaning as the trade name for plaintiff's lining. It would seem to follow that plaintiff is the owner of a valid registered trade-mark under the Trade-Mark Act of 1920, and is entitled to protection against colorable imitation of it, which that Act confers. That "National Brake Block" is a colorable imitation of "American Brakeblok" seems self-evident, particularly since the Court below has held that a substantial number of people understand "brake block", and "brake block" alone, to mean the plaintiff's lining.

Holding that "this might have led us to give some relief", had the labels remained on the goods when sold to car owners (R. 2089), the Court of Appeals inferred that the trade name on the defendant's label was deceptively similar to the plaintiff's. Otherwise, there would be no reason to grant relief, if the label had remained on the goods. Finding that "unscrupulous dealers substitute the defendant's linings for the plaintiff's when they know that the (car) owner wants the plaintiff's" (R. 2089), the Court has found the likelihood of deception of "the ordinary purchaser", upon which relief against unfair competition depends (*McLean* v. *Fleming,* 96 U. S. 245, 256; *Amoskeag Mfg. Co.* v. *Trainer,* 101 U. S. 51, 56, 63).

In the words of Mr. Justice Reed (*Armstrong Paint & Varnish Works* v. *Nu-Enamel Corporation,* 305 U. S. 315, 335), this secondary meaning of the words "Brake Block" entitles the plaintiff to "protection against their unfair use as a trade-mark or trade name by a competitor seeking to palm off his products as those of the original user of the trade name". That is exactly the relief which was asked for and denied in this case.

II. The instrument of fraud principle, as laid down by this Court does not contain the exception which the Circuit Court of Appeals engrafted upon it in this case. Mr. Justice Brandeis stated the rule in *Federal Trade Commission* v. *Winsted Hosiery Co.,* 258 U. S. 483, 494, as follows:

> "That a person is a wrongdoer who so furnishes another with the means of consummating a fraud has long been a part of the law of unfair competition."

In *Warner & Co.* v. *Eli Lilly & Co.*, 265 U. S. 526, 530, it was held:

> "The wrong was in designedly enabling the dealers to palm off the preparation as that of the respondent."

Of the two leading cases quoted above, one (*Warner & Co.* v. *Eli Lilly & Co.*, 265 U. S. 526) presented exactly the factual situation on which the Court of Appeals here held the principle inapplicable; that is, it involved the passing off of the infringing product to consumers in retail druggists' prescription bottles, after it had been removed from the defendant's original package. A comparable situation arose in *Coca-Cola Co.* v. *Koke Co.*, 254 U. S. 143[2] and in *Coca-Cola Co.* v. *Gay-Ola Co.*, 200 Fed. 720 (C. C. A. 6; cert. den. 229 U. S. 613; approved in *Warner & Co.* v. *Eli Lilly & Co.*, 265 U. S. 526, 530), where soda fountain consumers were given the fraudulent products, removed from the defendants' concealed containers, and served in drinking glasses bearing no labels at all. The fraud was set in motion by the defendants who produced the syrup and applied the infringing name to it. The fact that the last buyer did not see the deceptive trade name did not prevent an injunction under the instrument of fraud principle.

So, in *Federal Trade Commission* v. *Algoma Lumber Co.*, 291 U. S. 67, this Court held the defendant liable for

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[2]The defendant sold "Koke", in bottles as a beverage, and in barrels as a syrup for making a beverage at soda fountains. This Court's opinion dealt largely with the bottled beverage, but the opinions of the Courts below show that the sale of "Koke" syrup in barrels, to be placed under soda fountains for mixing drinks for consumers, was equally in issue (255 Fed. 894, C. C. A. 9; 235 Fed. 408, D. C. D. Ariz.).

selling yellow pine to retail lumber dealers as "white pine", which they, in turn, sold to consumers on calls for "white pine". The words "white pine" did not appear on the lumber at all. Therefore, to paraphrase the Court of Appeals in the present case: "If a dishonest retail dealer has meanwhile substituted the defendant's lumber on calls for 'white pine', the defendant's use of the words 'white pine' did not help him in the fraud". This Court, however, enjoined the practice.

Indeed, the unfair manufacturer's fraudulent label or trade name very often is not seen by the consumer when the sale occurs, since usually he is "handed the package done up in wrapping paper", as was observed in *City of Carlsbad* v. *W. T. Thackeray & Co.*, 57 Fed. 18, 20.

In each of the foregoing cases, the use of the deceptive trade name by the manufacturer was enjoined under the principle stated in *Warner & Co.* v. *Eli Lilly & Co.*, 265 U. S. 526, 530:

> "One who induces another to commit a fraud, and furnishes the means of consummating it, is equally guilty and liable for the injury."

Thus, in refusing to apply the instrument of fraud principle in the present case on the ground that retailers removed the defendant's deceptive label before passing off defendant's goods on calls for the plaintiff's, the Court of Appeals has denied the relief required by the *Nu-Enamel* case on grounds held untenable by this Court in the *Eli Lilly*, the *White Pine* and the *Coca-Cola* cases above.

This defendant represented its goods as those of the plaintiff, in the customary way of unfair competitors, by means of a deceptive trade name. Removing the labels,

defendant's dealers simply repeated this representation by the act of substituting the defendant's linings on calls for the plaintiff's. The deceptive label, which defendant applied to the goods furnished to retailers, carried the suggestion to pass off, and started the fraud on its way. The passing off which followed was the inevitable consequence. Had the label not been removed, the dealers' fraud would have been just the same. The only difference is that with the label intact there was some chance for an alert purchaser to detect it, while without it there was none.

To permit a manufacturer of goods bearing a deceptive trade name to escape liability simply because retail dealers remove the deceptive label before passing off the imitation for the genuine, is to encourage unfair competition, to subject consumers to continual deception, and to place the good will of honest manufacturers at the mercy of what the Court below described as "unscrupulous dealers" (R. 2089).

Indeed, if this decision is to stand, there would be no redress in equity, under these circumstances, against the manufacturer of a complete counterfeit of the label and trade-mark of another. Finding that retail dealers "substitute the defendant's linings for the plaintiff's when they know that the owner wants the plaintiff's" (R. 2089), the present decision sanctions the continuance of the very fraud which it condemns.

III. The decision of the Court of Appeals that "To succeed, the plaintiff was therefore bound to show that repair shops or service stations were deceived" (R. 2090), is again contrary to the decisions of this Court (*Federal Trade Commission* v. *Winsted Hosiery Co.*, 258 U. S. 483, 493). Again, in *Warner & Co.* v. *Eli Lilly & Co.*, 265 U. S. 526, it was held:

> "That no deception was practised on the retail dealers, and that they knew exactly what they were getting, is of no consequence."

So, in *Coca-Cola Co.* v. *Gay-Ola Co.*, 200 Fed. 720, 722 (C. C. A. 6, cert. den. 229 U. S. 613), it was said:

> "It is not necessary to show that the immediate purchasers were deceived as to the origin of the goods; but even if they thoroughly understand that they are buying the counterfeit, and not the genuine, the manufacturer of the counterfeit will be enjoined from selling it to dealers with the purpose and expectation that it shall be used by the dealers to deceive the consumer. * * * There is no room for it to shift the blame to 'tricky retailers'."

The rule of law heretofore existing is that it is not necessary to show actual deception of any one, but only "the tendency or likelihood" of deception of the "ordinary purchaser" (*McLean* v. *Fleming*, 96 U. S. 245, 256; *Amoskeag Mfg. Co.* v. *Trainer*, 101 U. S. 51, 56, 63; *S. S. Kresge Co.* v. *Champion Spark Plug Co.* [C. C. A. 6] 3 Fed. [2d] 415, 419). Here, the Court of Appeals expressly made the finding which establishes the likelihood of deception of the ordinary purchaser when it held:

> "Apparently, unscrupulous dealers substitute the defendant's linings for the plaintiff's when they know that the (car) owner wants the plaintiff's" (R. 2089; interpolation ours).

In failing to follow the *Nu-Enamel* case on the ground plaintiff was bound to show that service stations were deceived, the Court below has denied relief on the ground held untenable in *McLean* v. *Fleming*, 96 U. S. 245, 256, and *Amoskeag Mfg. Co.* v. *Trainer*, 101 U. S. 51.

However, defendant's lining is indistinguishable from the plaintiff's when affixed to brake shoes (R. 1030), as defendant's salesmen pointed out (R. 856, 859). Consequently, automobile service stations which deliver their patrons' brake shoes to brake service stations to be "relined with American Brakeblok" (Exs. 88, 91, 104) are as likely to be deceived as car owners, when the shoes are relined with "National Brake Block", as repeatedly occurred in this case (*ibid*). They are sure to be deceived, because there is no way except by chemical analysis of telling them apart (R. 1030).

IV. In holding that the defendant is not liable for "the proposals of some of its salesmen that dealers should fraudulently substitute the defendant's linings for the plaintiff's" (R. 2090), the Court of Appeals has again contravened this Court's decision in *Warner & Co.* v. *Eli Lilly & Co.*, 265 U. S. 526, where a manufacturer was held liable for salesmen's proposals of exactly this kind. The following extract from the opinion in that case (p. 530) shows the kind of salesmen's talk for which this Court holds an employer is liable:

> "Petitioner's salesmen appeared more anxious to convince the druggists with whom they were dealing that Quin-Coco was a good substitute for Coco-Quinine and was cheaper, than they were to independently demonstrate its merits. The evidence establishes by a fair preponderance that some of petitioner's salesmen suggested that, without danger of detection, prescriptions and orders for Coco-Quinine could be filled by substituting Quin-Coco. More often, however, the feasibility of such a course was brought to the mind of the druggist by pointing out the identity of the two preparations and the en-

> hanced profit to be made by selling Quin-Coco because of its lower price. There is much conflict in the testimony; but, on the whole, it fairly appears that petitioner's agents induced the substitution, either in direct terms or by suggestion or insinuation."

Here, there is no such conflict in the testimony. Defendant's salesmen admitted that they told dealers to sell "National Brake Block" on calls for "Brake Block" (R. 1316, 1319), which the Court of Appeals found "a substantial number of people * * * understand * * * to mean the plaintiff's linings" (R. 2089). Pointing out that "nobody would know the difference" with the labels removed (R. 856, 859), defendant's salesmen made this substitution attractive by offering "National Brake Block" at prices substantially lower than "American Brakeblok" (R. 773-4, 795-6, 817, 1303).

In employing salesmen to sell the product labelled "National Brake Block", the defendant vested them with the apparent authority to make the same representation orally that defendant made in writing by the deceptive trade name on its label. Thus, the present decision is contrary to the basic rule of law that a principal is liable for the acts of its agents acting within the scope of their apparent authority.

In refusing to impute to the defendant the fraud of its salesmen, the Court of Appeals also contravened the rule that a principal is liable even for unauthorized acts of its agents, which it ratifies and approves (*First Nat. Bank* v. *Biddle* [C. C. A. 5] 22 Fed. [2d] 11, 12; *Edwards Mfg. Co.* v. *Bradford Co.* [C. C. A. 2] 294 Fed. 176; *Royal Bank of Canada* v. *Universal Export Corporation* [C. C. A.

2] 10 Fed. [2d] 669, 671; American Law Institute Restatement of the Law of Agency, Secs. 97, 98; Mechem on Agency, Secs. 432-435).

This defendant did not disavow the proposals of its agents, which the Court below condemned. It ratified and defended them, on the trial, as being proper when made, and proper to be repeated, just as it maintained that it was proper to use "Brake Block", in a denominative way as part of its trade name (R. 1502-3). Finally, it still clings to the benefits of its agents' fraud. In the words of Mr. Justice Cardozo in *Federal Trade Commission* v. *Algoma Lumber Co.*, 291 U. S. 67, 81:

> "There is a kind of fraud, as courts of equity have long perceived, in clinging to a benefit which is the product of misrepresentation. * * * That is the respondents' plight today. * * * They must extricate themselves from it by purging their business methods of a capacity to deceive."

To permit an unfair competitor to escape liability for acts of its agents, which have been found to be fraudulent is, in effect, to create an immunity against this type of fraud, since the plaintiff's only alternative is wholly impractical, namely: the investigation of the entire territory in which the defendant's product is sold in order to detect the fraudulent acts of salesmen and dealers; the maintenance of a multiplicity of suits throughout the districts in which these acts occur; and the constant surveillance of the dealers and salesmen after they have been enjoined, to insure obedience to the injunctions. The prevention of such a multiplicity of suits is one of the chief grounds for equitable relief against unfair manufacturers, and is the

basis of the instrument of fraud rule (*Coca Cola Co.* v. *Gay-Ola Co.,* 200 Fed. 720, C. C. A. 6; cert. den. 229 U. S. 613; approved *Warner & Co.* v. *Eli Lilly & Co.,* 265 U. S. 526, 530). The present decision contravenes this long settled public policy.

V. The right to the relief sought is implicit in the opinion of the Court of Appeals. To refuse relief on the ground that the "last buyer" did not accept the defendant's goods "because of their name" (R. 2090), is contrary to the conclusion of the Court below that relief should be denied on the ground that "There is no evidence to impute to the defendant the proposals of some of its salesmen that dealers should fraudulently substitute the defendant's linings for the plaintiff's" (R. 2090). This quotation infers that if there were such evidence the defendant would be liable. But the salesmen's proposals were that the dealers remove the defendant's labels (R. 902, 856, 859), and sell defendant's lining on calls for "Brake Block", since "nobody would know the difference" (R. 856, 859).

Therefore, in holding, inferentially, that the defendant would be liable for the proposals of its salesmen, if there were evidence to impute these proposals to the defendant, there is implicit the conclusion that the defendant would be liable, even though the labels were removed by the "unscrupulous dealers" before "they fraudulently substitute the defendant's linings for the plaintiff's" on sales to the "last buyer". The reason must be because the "unscrupulous dealers" did just what the salesmen told them to do.

But the proposal made orally by the salesmen was the same as the proposal made in writing by the defendant, on its labels. This is implicit in the conclusion of the Court

below that it might have granted relief if the label had not been removed. The only difference was that the fraud suggested by the label is the subtle one of a deceptive trade name, while that of the salesmen was of the more robust type which leaves nothing to inference. By using the deceptive trade name on the label, the defendant made in writing the same fraudulent proposal to dealers that the Court condemned the salesmen for making orally. The Court seems to have decided that to suggest passing off by printed words is not unlawful, if the victim does not see them, although it is, to repeat the same suggestion by spoken words. We submit that the defendant should be liable for its use of a deceptive trade name, even if the acts of its salesmen be disregarded (*Armstrong Paint & Varnish Works* v. *Nu-Enamel Corporation,* 305 U. S. 315). Even more so when the salesmen say what defendant's label says —these linings can be passed off as "American Brakeblok". As the Court of Appeals for the Third Circuit said in the *Eli Lilly* case (275 Fed. 752, 756), under similar circumstances, "the defendant was an accomplice, if not the principal, in the practice".

CONCLUSION

All of the grounds of the decision of the Court of Appeals are contrary to the decisions of this Court, and to the law of unfair competition as heretofore existing. The only reason for not following the *Nu-Enamel* case, therefore, is that given by the Trial Judge, and tacitly sanctioned by the affirmance of the Court of Appeals, namely, that it is "a very extraordinary decision" (R. 1489), "extremely difficult to understand" (R. 1485); that it is "a new deal,

or * * * a Nu-Enamel in trade-marks" (R. 1471); and that the District Judge did not "agree with it at all" (R. 1489), in spite of the fact that this Court was "in on it" (R. 1489). Acknowledging his duty to follow it, he followed his preference not to "pay any attention to that decision whatever" (R. 1489). Heretofore, these have not been considered good reasons for the refusal of the lower Federal Courts to follow the decisions of this Court.

It is respectfully urged that the writ be granted.

Respectfully submitted,

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CLIFTON COOPER,
GEORGE H. WALLACE,
Of Counsel.

APPENDIX

Plaintiff's Trade-Mark (Ex. 4).

Defendant's Trade-Mark (Exs. 7, 107).

Act of March 19, 1920.

ACT TO GIVE EFFECT TO CERTAIN PROVISIONS OF THE CONVENTION FOR THE PROTECTION OF TRADE-MARKS AND COMMERCIAL NAMES, MADE AND SIGNED IN THE CITY OF BUENOS AIRES, IN THE ARGENTINE REPUBLIC, AUGUST 20, 1910, AND FOR OTHER PURPOSES.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Commissioner of Patents shall keep a register of (a) all marks communicated to him by the international bureaus provided for by the convention for the protection of trade-marks and commercial names, made and signed in the city of Buenos Aires, in the Argentine Republic, August 20, 1910, in connection with which the fee of $50 gold for the international registration established by article 2 of that convention has been paid, which register shall show a facsimile of the mark; the name and residence of the registrant; the number, date, and place of the first registration of the mark, including the date on which application for such registration was filed and the term of such registration, a list of goods to which the mark is applied as shown by the registration in the country of origin, and such other data as may be useful concerning the mark.

(b) All other marks not registerable under the Act of February 20, 1905, as amended, except those specified in paragraphs (a) and (b) of section 5 of that Act,

(*a*) Consists of or comprises immoral or scandalous matter. Act of February 20, 1905.*

*The portions indented and designated "Act of February 20, 1905" are the provisions of that Act which are incorporated by reference in the Act of March 19, 1920.

(*b*) Consists of or comprises the flag or coat of arms or other insignia of the United States or any simulation thereof, or of any State or municipality or of any foreign nation, or of any design or picture that has been or may hereafter be adopted by any fraternal society as its emblem, or of any name, distinguishing mark, character, emblem, colors, flag, or banner adopted by any institution, organization, club, or society which was incorporated in any State in the United States prior to the date of the adoption and use by the applicant: Provided, That said name, distinguishing mark, character, emblem, colors, flag, or banner was adopted and publicly used by said institution, organization, club, or society prior to the date of adoption and use by the applicant:

Act of February 20, 1905.

but which have been in bona fide use for not less than one year in interstate or foreign commerce, or commerce with the Indian tribes by the proprietor thereof, upon or in connection with any goods of such proprietor upon which a fee of $15 has been paid to the Commissioner of Patents and such formalities as required by the said commissioner have been complied with: *Provided,* That trade-marks which are identical with a known trade-mark owned and used in interstate and foreign commerce, or commerce with the Indian tribes by another and appropriated to merchandise of the same descriptive properties as to be likely to cause confusion or mistake in the mind of the public or to deceive purchasers, shall not be placed on this register.

SEC. 2. That whenever any person shall deem himself injured by the inclusion of a trade-mark on this register, he may at any time apply to the Commissioner of Patents to cancel the registration thereof. The commissioner shall refer such application to the examiner in charge of interferences, who is empowered to hear and determine this question, and who shall give notice thereof to the registrant.

If it appear after a hearing before the examiner that the registrant was not entitled to the exclusive use of the mark at or since the date of his application for registration thereof, or that the mark is not used by the registrants or has been abandoned, and the examiner shall so decide, the commissioner shall cancel the registration. Appeal may be taken to the commissioner in person from the decision of the examiner in charge of interferences.

SEC. 3. That any person who shall willfully and with intent to deceive, affix, apply, or annex, or use in connection with any article or articles of merchandise, or any container or containers of the same, a false designation of origin, including words or other symbols, tending to falsely identify the origin of the merchandise, and shall then cause such merchandise to enter into interstate or foreign commerce, and any person who shall knowingly cause or procure the same to be transported in interstate or foreign commerce or commerce with Indian tribes, or shall knowingly deliver the same to any carrier to be so transported, shall be liable to an action at law for damages and to an action in equity for an injunction, at the suit of any person, firm, or corporation doing business in the locality falsely indicated as that of origin, or in the region in which said locality is situated, or at the suit of any association of such persons, firms, or corporations.

SEC. 4. That any person who shall without the consent of the owner thereof reproduce, counterfeit, copy, or colorably imitate any trade-mark on the register provided by this Act, and shall affix the same to merchandise of substantially the same descriptive properties as those set forth in the registration, or to labels, signs, prints, packages, wrappers, or receptacles intended to be used upon or in connection with the sale of merchandise of substantially the same descriptive properties as those set forth in such registration, and shall use, or shall have used, such reproduc-

tion, counterfeit, copy, or colorable imitation in commerce among the several States, or with a foreign nation, or with the Indian tribes, shall be liable to an action for damages therefor at the suit of the owner thereof; and whenever in any such action a verdict is rendered for the plaintiff the court may enter judgment therein for any sum above the amount found by the verdict as the actual damages, according to the circumstances of the case, not exceeding three times the amount of such verdict, together with the costs.

SEC. 5. That it shall be the duty of a registrant under this Act of a mark falling within class (a) of section 1, to comply with the law of the country in which his original registration took place, in respect to giving notice to the public that the trade-mark is registered, in connection with the use of such trade-mark in the United States of America, and in any suit for infringement by a party failing to do this, no damages shall be recovered except on proof that the defendant was duly notified of the infringement and continued the same after such notice.

SEC. 6. That the provisions of sections 15, 17, 18, 19, 20, 21, 22, 23, 25, 26, 27, and 28 (as to class (b) marks only) of the Act approved February 20, 1905, entitled "An Act to authorize the registration of trade-marks used in commerce with foreign nations or among the several States, or with Indian tribes, and to protect the same," as amended to date,

Act of February 20, 1905.

SEC. 15. U. S. C., title 15, sec. 95. That sections forty-nine hundred and thirty-five and forty-nine hundred and thirty-six of the Revised Statues, relating to the payment of patent fees and to the repayment of fees paid by mistake, are hereby made applicable to trade-mark fees.

SEC. 17. U. S. C., title 15, sec. 97. That the district and territorial courts of the United States and the

supreme court of the District of Columbia shall have original jurisdiction, and the circuit courts of appeal of the United States and the court of appeals of the District of Columbia shall have appellate jurisdiction of all suits at law or in equity respecting trade-marks registered in accordance with the provisions of this act, arising under the present act, without regard to the amount in controversy. Act of February 20, 1905.

SEC. 18. U. S. C., title 15, sec. 98. That writs of certiorari may be granted by the Supreme Court of the United States for the review of cases arising under this act in the same manner as provided for patent cases by the act creating the circuit court of appeals. Act of February 20, 1905.

SEC. 19. U. S. C., title 15, sec. 99. That the several courts vested with jurisdiction of cases arising under the present act shall have power to grant injunctions, according to the course and principles of equity, to prevent the violation of any right of the owner of a trade-mark registered under this act, on such terms as the court may deem reasonable; and upon a decree being rendered in any such case for wrongful use of a trade-mark the complainant shall be entitled to recover, in addition to the profits to be accounted for by the defendant, the damages the complainant has sustained thereby, and the court shall assess the same or cause the same to be assessed under its direction. The court shall have the same power to increase such damages, in its discretion, as is given by section sixteen of this act for increasing damages found by verdict in actions of law; and in assessing profits the plaintiff shall be required to prove defendant's sales only; defendant must prove all elements of cost which are claimed. Act of February 20, 1905.

SEC. 20. U. S. C., title 15, sec. 100. That in any case involving the right to a trade-mark registered in accordance with the provisions of this act, in which the

verdict has been found for the plaintiff, or an injunction issued, the court may order that all labels, signs, prints, packages, wrappers, or receptacles in the possession of the defendant, bearing the trade-mark of the plaintiff or complainant, or any reproduction, counterfeit, copy, or colorable imitation thereof, shall be delivered up and destroyed. Any injunction that may be granted upon hearing, after notice to the defendant, to prevent the violation of any right of the owner of a trade-mark registered in accordance with the provisions of this act, by any circuit court of the United States, or by a judge thereof, may be served on the parties against whom such injunction may be granted anywhere in the United States where they may be found, and shall be operative, and may be enforced by proceedings to punish for contempt, or otherwise, by the court by which such injunction was granted, or by any other circuit court, or judge thereof, in the United States, or by the Supreme Court of the District of Columbia, or a judge thereof. The said courts, or judges thereof, shall have jurisdiction to enforce said injunction, as herein provided, as fully as if the injunction had been granted by the circuit court in which it is sought to be enforced. The clerk of the court or judge granting the injunction shall, when required to do so by the court before which application to enforce said injunction is made, transfer without delay to said court a certified copy of all the papers on which the said injunction was granted that are on file in his office.

Act of February 20, 1905.

SEC. 21. U. S. C., title 15, sec. 101. That no action or suit shall be maintained under the provisions of this act in any case when the trade-mark is used in unlawful business, or upon any article injurious in itself, or which mark has been used with the design of deceiving the public in the purchase of merchandise, or has been

Act of February 20, 1905.

abandoned, or upon any certificate of registration fraudulently obtained.

SEC. 22. U. S. C., title 15, sec. 102. That whenever there are interfering registered trade-marks, any person interested in any one of them may have relief against the interfering registrant, and all persons interested under him, by suit in equity against the said registrant; and the court, on notice to adverse parties and other due proceedings had according to the course of equity, may adjudge and declare either of the registrations void in whole or in part according to the interest of the parties in the trade-mark, and may order the certificate of registration to be delivered up to the Commissioner of Patents for cancellation. Act of February 20, 1905.

SEC. 23. U. S. C., title 15, sec. 103. That nothing in this act shall prevent, lessen, impeach, or avoid any remedy at law or in equity which any party aggrieved by any wrongful use of any trade-mark might have had if the provisions of this act had not been passed. Act of February 20, 1905.

SEC. 25. U. S. C., title 15, sec. 104. That any person who shall procure registration of a trade-mark, or entry thereof, in the office of the Commissioner of Patents by a false or fraudulent declaration or representation, oral or in writing, or by any false means, shall be liable to pay any damages sustained in consequence thereof to the injured party, to be recovered by an action on the case. Act of February 20, 1905.

SEC. 26. U. S. C., title 15, sec. 105. That the Commissioner of Patents is authorized to make rules and regulations, not inconsistent with law, for the conduct of proceedings in reference to the registration of trade-marks provided for by this act. Act of February 20, 1905.

SEC. 27. U. S. C., title 15, sec. 106. That no article of imported merchandise which shall copy or simulate

the name of any domestic manufacture or manufacturer, or trader, or of any manufacturer or trader located in any foreign country which, by treaty, convention, or law affords similar privileges to citizens of the United States, or which shall copy or simulate a trade-mark registered in accordance with the provisions of this act or shall bear a name or mark calculated to induce the public to believe that the article is manufactured in the United States, or that it is manufactured in any foreign country or locality other than the country or locality in which it is in fact manufactured, shall be admitted to entry at any customhouse of the United States; and, in order to aid the officers of the customs in enforcing this prohibition, any domestic manufacturer or trader, and any foreign manufacturer or trader, who is entitled under the provisions of a treaty, convention, declaration or agreement between the United States and any foreign country, to the advantages afforded by law to citizens of the United States in respect to trade-marks and commercial names, may require his name and residence, and the name of the locality in which his goods are manufactured, and a copy of the certificate of registration of his trade-mark, issued in accordance with the provisions of this act, to be recorded in books which shall be kept for this purpose in the Department of the Treasury, under such regulations as the Secretary of the Treasury shall prescribe, and may furnish to the department facsimiles of his name, the name of the locality in which his goods are manufactured, or of his registered trade-mark, and thereupon the Secretary of the Treasury shall cause one or more copies of the same to be transmitted to each collector or other proper officer of customs.

Act of February 20, 1905.

SEC. 28. U. S. C., title 15, sec. 107. That it shall be the duty of the registrant to give notice to the public that a trade-mark is registered, either by affixing

thereon the words "Registered in U. S. Patent Office," or abbreviated thus, "Reg. U. S. Pat. Off.," or when, from the character or size of the trade-mark, or from its manner of attachment to the article to which it is appropriated, this cannot be done, then by affixing a label containing a like notice to the package or receptacle wherein the article or articles are inclosed; and in any suit for infringement by a party failing so to give notice of registration no damages shall be recovered, except on proof that the defendant was duly notified of infringement and continued the same after such notice. Act of February 20, 1905.

and the provisions of section 2 of the Act entitled "An Act to amend the laws of the United States relating to the registration of trade-marks," approved May 4, 1906, are hereby made applicable to marks placed on the register provided for by section 1 of this Act. Act of March 19, 1920.

SEC. 2. That the Commissioner of Patents shall establish classes of merchandise for the purpose of trade-mark registration, and shall determine the particular descriptions of goods comprised in each class. On a single application for registration of a trade-mark the trade-mark may be registered at the option of the applicant for any or all goods upon which the mark has actually been used comprised in a single class of merchandise, provided the particular descriptions of goods be stated. Act of May 4, 1906.

SEC. 7. That written or printed copies of any records, books, papers, or drawings belonging to the Patent Office and relating to trade-marks placed on the register provided for by this Act, when authenticated by the seal of the Patent Office and certified by the commissioner thereof, shall be evidence in all cases wherein the originals could be evidence, and any person making application therefor and

paying the fee required by law shall have certified copies thereof.

SEC. 8. That the same fees shall be required for certified and uncertified copies of papers and for records, transfers, and other papers, under this Act, as are required by law for such copies of patents and for recording assignments and other papers relating to patents.

On filing an appeal under this Act to the Commissioner of Patents from the decision of the examiner in charge of interferences, awarding ownership of a trade-mark, canceling or refusing to cancel the registration of a trade-mark, a fee of $15 shall be payable.

FILED
AUG 16 1941
CHARLES ELMORE CROPLEY
CLERK

IN THE

Supreme Court of the United States

OCTOBER TERM, 1940.

No. 111

THE AMERICAN BRAKE SHOE AND FOUNDRY COMPANY,

Petitioner,

against

ALLTEX PRODUCTS CORPORATION,

Respondent.

BRIEF OF RESPONDENT IN OPPOSITION TO APPLICATION FOR A WRIT OF CERTIORARI TO THE CIRCUIT COURT OF APPEALS FOR THE SECOND CIRCUIT.

JACOB W. FRIEDMAN,
Attorney for Respondent.

MARK SERVICE BARCLAY 7-2180

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BRIEF OF RESPONDENT IN OPPOSITION TO APPLICATION FOR A WRIT OF CERTIORARI TO THE CIRCUIT COURT OF APPEALS FOR THE SECOND CIRCUIT.

Statement of the Case.

Petitioner's papers in the main discuss the evidence favorable to it and completely ignore defendant's counter-evidence. However, a comprehensive statement of the case is hardly necessary in view of the reproduction *in extenso* of the summations and arguments of counsel at the conclusion of the trial before District Judge Woolsey (R. 1429-1514), and the opinion of Senior Circuit Judge Learned Hand (R. 2086-2090).

Suffice it to say that the critical question of secondary meaning of the term "brake block" *simpliciter*, as contradistinguished from plaintiff's trademark "American Brakeblok", and the equally crucial issue of common law unfair competition, were thoroughly litigated before the trial court. There was no concession by respondent of

secondary meaning, as in *Armstrong Paint & Varnish Works* v. *Nu-Enamel Corporation,* 305 U. S., 315, upon which petitioner predicates its application. Directly contrary to the factual basis upon which *Armstrong* v. *Nu-Enamel, supra,* was adjudicated by this Court, at bar the Court found on conflicting evidence that secondary meaning of "brake block" had not been established (R. 29-30), and further (Findings of Fact, R. 29):

> "8. The defendant has not been proved to have been guilty of any other form of unfair competition, whether by imitating plaintiff's packages, labels, or otherwise".

The trial court did not imply that defendant had been guilty of unfair competition in some form. Its use of the phrase "any other form" has reference to the Finding of Fact immediately preceding, wherein the Court stated that the entire question centers about the use by the defendant of the words "National Brake Block". The Court meant that the proof was devoid of anything which smacked of unfair competition except possibly the employment of the name "National Brake Block", and the trial court then went on to state its Conclusions of Law leading to its determination that "National Brake Block" as the name of defendant's product was not unfair competition.

The Court found that "'American Brakeblok' is a descriptive trade-mark, for the words 'brake blok' are merely two old words, which in this particular instance are united as one, with the last word misspelled apparently in a clumsy effort to achieve a fanciful name," (Finding of Fact No. 3, R. 29). Apparently petitioner raises no question that there was ample evidence in the record to sustain this finding. The trial court also found that "a brake block is a descriptive word which has long

been and still is in use in the automotive trade as such for products such as both parties to this cause make," (R. 30).

While an express finding of the absence of secondary meaning as to "brake block" *simpliciter* does not appear in the record in *haec verba*, a reading of the entire proceedings will make it immediately apparent that this was the chief issue litigated upon the trial and that most of the evidence adduced on both sides was directed to that very point (R. 461, 1017-1018, 1433, 1452, 1453-1454, 1473, 1477-1478, 1479, 1501, 1503). As Judge Learned Hand said below (2088):

> "* * * Upon this evidence the judge found that the whole phrase, 'American Brakeblok,' had acquired a secondary meaning * * * but he did not find, as the plaintiff insists that he should have done, that the words 'brake block' alone had a secondary meaning. * * *
>
> "We should scarcely feel justified in holding 'clearly erroneous' an express finding made on such a record that the plaintiff had not established any secondary meaning for the words 'brake block,' and in spite of the absence of an express finding we think that the judge's disposition of the case implied the equivalent of such a finding."

To meet plaintiff's contention that "brake block" was the "nickname" of its product and to demonstrate that it was generally in use as a common appellative of brake friction material, by a plethora of evidence defendant established, *inter alia*:

(1) That the word "brake block" is an old dictionary common noun employed to designate a part of the brake mechanism of a horse-drawn vehicle which exactly corresponds in function, utility and character with the auto-

mobile brake friction material to which the term "brake block" is applied in modern times.

(2) That the term "brake block" has been used for many years by a great many brake friction material manufacturers and dealers to designate their products when made of comparatively dense and rigid molded material, however thick it may be.

(3) That among automobile mechanics "brake block" is used interchangeably with "brake lining" to denominate a piece of brake friction material taken by passenger automobiles as well as by trucks (R. 1225, 1227, 1228, 1242, 1249, 1252, 1257, 1262, 1269, 1271-1272, 1634; Deft. Exs. UUU, VVV, WWW, XXX).

(4) That plaintiff itself throughout recognized the general usage of "brake block" as a common appellative of anyone's brake friction material, as the result of which plaintiff iniated an advertising campaign to educate the public to call for "*American* Brakeblok" so that they might receive the plaintiff's brand of brake block and no one else's (Deft. Exs. I and J; R. 1934, 1935; Deft. Exs. K; R. 1936; R. 2088).

(5) That in plaintiff's very application for a trademark, which was unsuccessfully attempted under the Act of 1905 and then withdrawn and submitted under the Act of 1920, plaintiff's own attorney stated that the goods upon which the trademark was to be placed, were not brake linings because "they are not made of fabric like belting and hose" (Deft. Ex. H; R. 1933).

In that same document plaintiff's attorney represented to the Commissioner of Patents that: "The goods are made of composition sometimes in the form of short bloks [(sic)] and sometimes in the form of long bloks

[(sic)] which are used in place of what is commonly known as brake linings and are distinguished therefrom because brake linings are made of fabric." (It will be noted that nothing is said in Defendant's Exhibit H; R. 1933, to the same or similar effect as that now urged by petitioner, namely, that "brake block" is the term denoting brake friction material for trucks but not for passenger automobiles).

(6) By a series of patent applications introduced in evidence by defendant it was shown that "brake block" was used as a common appellative for brake friction material, indiscriminately applied to light vehicles, heavy ones, commercial vehicles, pleasure cars, etc. A number of these patents were those of plaintiff's own officers including plaintiff's president who was its main witness upon this trial. (R. 1938, 1939, 1940, 1943, 1946, 1949, 1951, 1954, 1957, 1960, 1963, 1966, 1969, 1978).

(7) That plaintiff was guilty of a deliberate attempt to deceive this trial court with respect to the terms of settlement of a similar suit against another alleged infringer in the Federal Court of Chicago a short time prior to the trial of this action. This was the stratagem: After the trial of that action the Court reserved decision pending the submission of briefs, whereupon a formal stipulation was drawn by plaintiff and the other alleged infringer in Chicago (Pl. Ex. 134, R. 1923). This purported to be the sole agreement of settlement. That formal stipulation was vouched for by plaintiff's counsel upon the trial of this action before Judge Woolsey as "the contract and it speaks for itself" (R. 1410). But when we interrogated plaintiff's president as to whether there was some secret consideration paid by plaintiff,—not knowing that there was but suspecting that there might have been,—we were astounded, as undoubtedly was the Court, when plaintiff's

counsel interposed a technical objection, seeking to avoid a disclosure (R. 1410). The objection overruled, reluctantly plaintiff's president admitted that at the same time the formal contract was prepared, when this trial was in the offing, there was a collateral writing which in several vital respects virtually emasculated the corresponding provisions of this formal contract which plaintiff's counsel insisted "spoke for itself".

For example, the contract did not speak of any moneys paid to the alleged infringer and it was so drawn as inevitably to lead to the conclusion that nothing was paid by plaintiff. The collateral writing, however, prepared simultaneously therewith, which plaintiff would not have "speak for itself" upon the trial, provided for the payment of $5,500.00 in cash to the "infringer" with promise of an additional $1,000.00 under stated conditions.

For example, also, the formal contract contained an unqualified recognition by that "infringer" of plaintiff's right to the exclusive use of "brake block" and the infringer's solemn undertaking to refrain until eternity from using that name,—but the collateral writing grants the "infringer" the absolute right to employ the term "brake block" in the event of a determination adverse to this plaintiff in future litigation with some other "infringer".

This "unclean hands" letter which plaintiff sought to suppress was introduced in evidence as Defendant's Exhibit BBBB, (R. 2082). Plaintiff's president was so embarrassed when the letter was finally produced that he made the following answer (R. 1412):

> "Q. This letter that was just produced here was written the very same day of the agreement? A. I can't help it. I didn't sign the letter".

(8) That except in instances so rare as to be inconsequential, the automobile owner does not ask for any par-

ticular brand of brake friction material but instead contracts for the service of relining his brakes for one composite charge only a small part of which is allocated to the cost of the material, the greater portion being the labor charge. Further, once the brake friction material is applied to the automobile, and applied it invariably is while the automobile owner has gone about his business elsewhere, it is concealed from view and the use of whatever name may be applied to the material does not and cannot mislead or deceive, (R. 2090).

(9) That the abbreviation most commonly employed is the first name of the dealer, such as "American", "National", "Thermoid", "Emsco", "Gatke", "Raybestos" or "Ferodo",—not "brake block" as plaintiff contended, (R. 1254, 1255, 1256, 1257, 1259, 1268, 1281).

The trial court commented upon this phase of the proof as follows (R. 1453):

> "The Court: But I should think it would be more likely that a person would ask for 'American' than they would ask for 'brakeblok'.
>
> Mr. Rogers: The evidence is that the other,—
>
> The Court: I know, but I was just thinking that I have no reason for disbelieving their witness who testified that people came in and asked for 'American'.
>
> Mr. Rogers: No.
>
> The Court: And call for it by its first name as distinguished from hats, as I tried to indicate to make the distinction greater".

The District Court's Application of the Law.

At pages 5, 8, and 22-23 of its petition and brief petitioner has seen fit to misquote and to do everything short of flatly accusing Judge Woolsey of an outright refusal

to follow the law as laid down by the highest Court of this land. Strangely enough even the Circuit Court of Appeals, including Judge Learned Hand, recognized as one of the greatest authorities on trademark infringement and unfair competition law of modern times, is charged with tacitly sanctioning a deliberate refusal by Judge Woolsey to follow the decisions of the Supreme Court. Two instances in the petition and supporting brief are particularly striking. At page 5 petitioner's counsel quote from page 1489 of the Record where Judge Woolsey observed that he thought the *Nu-Enamel* case was an extraordinary decision and that he would not be inclined to agree with it had it come from another Circuit, as, for example, the Seventh Circuit.

That is as far as petitioner's counsel quotes Judge Woolsey on that particular point. However, Judge Woolsey completed that very thought with the all-important statement (R. 1489):

> "I am not bound by that, *but I am bound by what the Supreme Court says, of course.*"

The second example is perhaps even more glaring. Concluding their brief, petitioner's counsel charge that Judge Woolsey refused to follow the *Nu-Enamel* case, preferring "not to 'pay any attention to that decision whatever' (R. 1489)", (Petitioner's Brief, p. 23). This is a plain distortion of part of a thought expressed by Judge Woolsey, fashioned in such a way as to completely transform and reverse the meaning of the Court's comment during the summations. The Court stated it would not pay any attention to that decision whatever, *"if it came from the Seventh Circuit"*. Far from stating that it would not pay any attention to the decisions of the United States Supreme Court, Judge Woolsey immediately interposed *"* * * but I am bound by what the Supreme Court says, of course"*, (R. 1489).

The Opinion of the Circuit Court of Appeals.

The Circuit Court of Appeals affirmed because manifestly it found sufficient evidence in the Record to sustain the trial court's Findings of Fact. Nevertheless, petitioner has attempted to dissect the *arguendo* discussion of the Court of Appeals and juggle the pieces as though there were no Findings of Fact upon the trial nor consideration thereof upon the appeal. At pages 2086 to 2088 of the Record the Circuit Court discusses the highlights of the evidence. After commenting on the plaintiff's *prima facie* proof, said the Circuit Court of Appeals (R. 2088):

> "* * * The testimony was nevertheless not all one way, for the defendant introduced a number of witnesses who said that they distinguished linings by the names of the manufacturers; and that to them 'brake block' meant any stiff brake lining even for passenger cars, as distinct from fabric lining. Indeed at times the plaintiff itself has thought it desirable to emphasize the adjective 'American' as by saying 'insist on *American* Brakeblok—not just "brake blocks."' Upon this evidence the judge found that the whole phrase 'American Brakeblok,' had acquired a secondary meaning and was entitled to registry under the Act of 1920, but he did not find, as the plaintiff insists that he should have done, that the words 'brake block' alone had a secondary meaning. Believing that the defendant's prefix 'National' was a plain enough distinction from the only mark which he was willing to accord the plaintiff, he dismissed the complaint.
>
> "We should scarcely feel justified in holding 'clearly erroneous' an express finding made on such

> a record that the plaintiff had not established any secondary meaning for the words 'brake block,' and in spite of the absence of an express finding we think that the judge's disposition of the case implied the equivalent of such a finding."

The learned Circuit Court of Appeals then went on to discuss the evidence most favorable to plaintiff, as though it remained unrebutted and uncontroverted. Proceeding along this line, the Circuit Court of Appeals reasoned that from the standpoint most favorable to plaintiff the evidence if it stood unassailed would merely point to the possibility of common-law unfair competition. But the Circuit Court of Appeals found there would not be unfair competition even then (R. 2090):

> "* * * Yet when an owner takes his car to the shop he does not watch it while it is being relined; or, if in rare instances he may, which does not appear, he does know what lining is put on. Ordinarily he goes away, and when he comes back, he takes the car as it is delivered to him. If a dishonest repair shop or service station has meanwhile substituted the defendant's lining, the defendant's use of the word 'brake block' has not helped him in the fraud * * * To succeed, the plaintiff was therefore bound to show that repair shops or service stations were deceived, and that it failed to do."

Finally, the Circuit Court of Appeals commented on certain evidence dragged in by the tail by plaintiff's trial counsel, namely, that the defendant's salesmen would sanction a dealer delivering National Brake Block on a call for brake block *simpliciter*. The Record establishes (R. 1315-1316, 1319) that all that the salesmen of defendant were attempting to testify to was that "brake

block'' was the common appellative for brake friction material such as that sold by the plaintiff, the defendant, and a myriad of other dealers, and that it would be perfectly proper for a service station or distributor to sell defendant's or anyone else's brake block on a call for ''brake block'' *simpliciter*. This was fatally short of a charge that the defendant, or for that matter that its salesmen, encouraged the substitution of defendant's products for plaintiff's. To be sure, certain of plaintiff's pet distributors testified upon the trial that the defendant's salesmen had so stated to them. But this was categorically denied by the salesmen under oath, and the court's Finding of Fact No. 8 (R. 29) constitutes a final, conclusive adjudication on that point and is tantamount to the trial court's adjudication that the defendant's salesmen were to be believed, and not the plaintiff's dealers. The trial court observed that proof on this subject was ''almost left at dead center'' (R. 1467). Nevertheless, disregarding *arguendo* this controverting proof, the Circuit Court of Appeals in effect stated that even had defendant's salesmen suggested passing off defendant's products for plaintiff's, there was ''no evidence to impute to the defendant'' such ''proposals'' (R. 2090).

Summary of Argument.

The Record presents nothing more than a sharply contested factual issue resolved by the trial court in favor of the defendant. In a well-reasoned opinion written by Senior Circuit Judge Learned Hand concurred in by Circuit Judges Augustus N. Hand and Charles E. Clark, it was found that there was sufficient evidence in the Record to sustain the trial court's Findings of Fact and that the trial court's Conclusions of Law properly followed.

The correctness of the Conclusions of Law is not controlled by the principal authority relied upon by petitioner upon this appeal, to wit, *Armstrong* v. *Nu-Enamel*, 305 U. S. 315, because there the case came to the United States Supreme Court with the critical finding of fact decided below in a manner exactly opposite to that upon the instant application. In other words, there had been a finding of secondary meaning in the *Nu-Enamel* case, whereas here there was a finding of *no secondary meaning*.

The application is wholly without merit, it presents no novel question not decided many times before, and it falls squarely within the rationale of *Kellogg* v. *National Biscuit Co.*, 305 U. S. 311, *Steem-Electric Corp.* v. *Herzfeld*, 7th Cir., 118 F. (2) 122, and *Germanow* v. *Standard*, 283 N. Y. 1, where, as here, judgment was granted for the defendants.

ARGUMENT.

1. *Armstrong* v. *Nu-Enamel*, 305 U. S. 315, is inapplicable because of the finding of fact by the trial court of the absence of secondary meaning of "brake block", the disputed term, affirmed by the appellate court which found adequate proof in the record to sustain the trial court's finding.

Armstrong v. *Nu-Enamel*, 305 U. S. 315, upon which petitioner places its chief reliance in this Court, turned upon the concession of the defendant there that secondary meaning had attached to the trademark in controversy. The established facts in that case evidenced a slavish imitation by defendant of the shape, color, design and dress of plaintiff's package and of plaintiff's mark, with the marketing of both products such that there was every opportunity to defraud.

At bar, to the direct contrary, secondary meaning of the term "brake block" was put in issue and thoroughly litigated and the trial court found against plaintiff as to secondary meaning*. There was ample proof that "brake block" was the proper, commonly accepted appellative of the article to which the parties applied the term (R. 30).

Not finding secondary meaning of "brake block" standing alone, the trial court invoked *Kellogg Co.* v. *National Biscuit Co., supra,* 305 U. S. 111, (R. 30). That authority compelled a determination that there was no trademark infringement by defendant, relegating petitioner to a claim of common-law unfair competition *dehors* the labeling or the name. On the question of everyday unfair business practices the trial court found on all of the evidence that respondent was guiltless (R. 29). Its finding stems from counterevidence adduced by defendant to combat every charge of unfair dealing asserted by plaintiff. For example, certain of plaintiff's distributors testified that defendant's salesmen had suggested they pass off defendant's product for plaintiff's. Apart from the credibility of plaintiff's witnesses which was in issue throughout the trial, the salesmen themselves took the stand and categorically denied the charge. Plaintiff urged that there was so striking a similarity between American Brakeblok and National Brake Block that dealers were aided in carrying out the "fraud" suggested to them by defendant's salesmen. As to this the Court found (1) that the name itself was so different that it could not assist in that alleged fraud, (2) that in any event whether the

*While defendant conceded and the trial court found secondary meaning as to "American Brakeblok," it also found complete absence of any opportunity for confusion by defendant's adoption of the name "National Brake Block," accompanied as it was by radical differences in dress of package, color scheme, printing design, etc. In the annexed Appendix we have set forth in color facsimile reproductions of the packages of petitioner and respondent to conveniently enable the Court to determine for itself that there is no imitation of, or similarity between, their visible symbols of goodwill.

suggestions had been made by the salesmen was "left at dead center" (R. 1467), (3) that their dress were utterly unlike (Appendix, *post*), and (4) that because of the manner in which the article is purveyed the name "National Brake Block" did not and could not aid in substituting for plaintiff's product defendant's or any other brand.

It should be noted that Judge Woolsey saw fit to embody in his findings those alone which were essential to a determination of the major issues, making it quite clear that to justify his ultimate conclusions several issues of fact were resolved, as necessarily they had to be, in defendant's favor. An example of this is found in Finding of Fact No. 4 (R. 29):

> "4. The plaintiff has made out a trade-name or secondary meaning, as its product, for the words '*American Brakeblok*' ".

Expressio unius, exclusio alterius. Not having stated a similar conclusion as to "brake block" the court must be deemed to have found no secondary meaning as to "brake block" *simpliciter.* Nor would the result have been different if the court had, inasmuch as National Brake Block, in name, color, design, type and dress, immediately distinguishes it from American Brakeblok.

It was clear to the Circuit Court of Appeals that Judge Woolsey had so found (R. 2088).

Absent secondary meaning, there is left merely the stereotyped cliché of tortious fraud, *i. e.*, unfair competition *dehors* trademark infringement. This renders inapplicable the law as applied in *Armstrong* v. *Nu-Enamel, supra,* and brings the case squarely within *Kellogg Co.* v. *National Biscuit Co., supra,* 305 U. S. 111, where it was held that anyone had the right to use the term by which the public knows the article. To the same effect are:

Prestonettes v. *Coty*, 264 U. S. 359
Du Pont Cellophane v. *Waxed Products*, 85 F. (2) 75; Cert. den. 299 U. S. 601
Kellogg v. *Quaker Oats*, 6th Cir., 235 F. 657
Steem-Electric Corp. v. *Herzfeld*, 7th Cir., 118 F. (2) 122
McGraw-Hill Publishing Co. v. *American Aviation Associates*, 117 F. (2) 293
Standard Paint Co. v. *Trinidad Asphalt Mfg. Co.*, 220 U. S. 446
Fawcett Publications v. *Popular Mechanics Co.*, 80 F. (2) 194.

2. Whether defendant had been guilty of unfair competition in any form *dehors* a trademark was a contested factual issue which the Court resolved in defendant's favor. There was ample proof to justify this finding. Hence certiorari will not lie to review the trial court's discretion.

The trial court's Findings of Fact, left undisturbed as they were by the Circuit Court of Appeals, stand as the established facts to which the law must be applied. *Inter alia*, it was found that the defendant had not been guilty of any form of unfair competition "whether by imitating plaintiff's packages, labels or otherwise," (R. 29). The evidence having been in conflict on this issue we assume that the United States Supreme Court will not disturb the findings, just as the Circuit Court of Appeals did not. That part of the appellate court's discussion of the facts from which petitioner has seen fit to arbitrarily disjoin random excerpts and to comment thereon so as to give them a meaning different from that which they had in their original setting,—merely constituted a review of plaintiff's case as though there had been no controverting

proof adduced by the defendant. Even from that standpoint the Circuit Court of Appeals held that there had not been a showing by plaintiff of unfair practices on the part of defendant because, firstly, the nature of the article and its merchandising is such that the consumer cannot know what article has been supplied to him and there is therefore no causal connection between the trademark and the sale of the article; and secondly, the improper sales talk plaintiff sought to attribute to defendant's salesmen was not imputable to defendant because no evidence was adduced of defendant having instigated, sanctioned or approved the same.

Petitioner's present argument that it was fraud in itself for the defendant's salesmen to sanction the delivery by dealers of defendant's product or anyone else's on a call for "brake block" *simpliciter* utterly begs the question. The Court having found on adequate evidence that there was no secondary meaning as to the term "brake block" it is futile to contend that it would be wrong to deliver defendant's product on a call for "brake block". This is the more clearly delineated by Finding of Fact No. 3 (R. 29) and Conclusions of Law Nos. 2, 3 and 5 (R. 30), that brake block is a descriptive term, *ergo* that it may properly be used to designate any article of the same kind regardless of the source of manufacture.

Equally unavailing was plaintiff's factitious "passing off" proof. Recognizing that the dress of plaintiff's and defendant's packages were radically different and not susceptible of confusion, plaintiff sent two groups of "shoppers" to various garages and automobile mechanics' establishments and service stations where National Brake Block was advertised and featured. These "shoppers" had a written note for a set of Brakeblok or calling for the relining of a set of brake shoes with Brakeblok lining. A third contingent employed by a detective agency and guided by a professional trade-mark investigator shopped

in different establishments, *but without any written order.* Instead, their story was that in each case they would ask *by word of mouth* to have a set of brake shoes relined with "American brake block" (R. 1818). Commented Judge Woolsey (R. 1017):

> "Mr. Malter: They would not know the difference no matter what we called it.
>
> The Court: That's right, but we will get this evidence in and see. *I don't think very much of it myself".*

The written order for brake block (or blakeblok) *simpliciter* begs the question as does the argument of petitioner concerning the activities of defendant's salesmen. The uselessness of the "passing off" evidence as a whole, and in particular that pertaining to the oral request for American Brake Block, is immediately apparent when it is considered that plaintiff studiously refrained from supplying its "shoppers" with a note asking for "American Brake Block" as it did in the case of "brake block" *simpliciter.* Obviously, a sincere effort to establish passing off would have suggested to plaintiff the importance of using a written note in both cases.

Apart from the serious question as to the credibility of the "passing off" witnesses, their evidence in any event contributed not a thing to plaintiff's case because:

A—There is no causal connection between the name National Brake Block and any fraud which the individual brake service station may be unscrupulous enough to practice.

B—The real consumer is the brake mechanic and the jobber who immediately know the difference between one brand and the other and cannot be misled. (Please see Appendix).

C—The individual car owner contracts to have his brakes relined and pays one composite charge therefor, only a minor percentage of which is allocated by the mechanic toward the cost of the brake friction material.

D—The proof established that it is only the rare and exceptional case for an individual car owner to ask for a specific brand of friction material.

E—In the written orders used by plaintiff's investigators the word "brakeblok" was used alone in one form or another. The trial court having found that no secondary meaning attached to "brakeblok" standing alone, instead of substantiating plaintiff's claim of "passing off" this proof instead lends force to the court's finding of the absence of secondary meaning.

Conclusion.

Secondary meaning, the critical question, the existence of which was the turning point in *Armstrong* v. *Nu-Enamel, supra,* is wholly lacking at bar; and upon conflicting evidence the trial court found as a fact that there actually had been no unfair competition on the part of defendant.

This leaves no question deserving of consideration by the United States Supreme Court and reduces the petition simply to an application to review the discretion of the trial court in resolving the disputed factual issues.

The petition for a writ of certiorari should be denied.

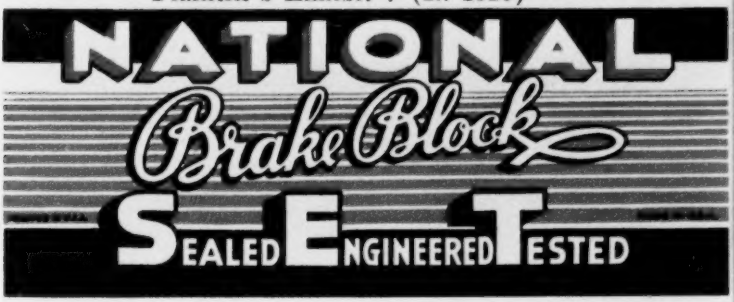
Respectfully submitted,

JACOB W. FRIEDMAN,
Attorney for Respondent.

HARRY MALTER,
Of Counsel.

APPENDIX.

Plaintiff's Exhibit 7 (R. 1520)



Plaintiff's Exhibit 4 (R. 1517)

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No 111
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FILED
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CHARLES ELMORE CROPLEY

IN THE

Supreme Court of the United States

OCTOBER TERM, 1940

THE AMERICAN BRAKE SHOE AND FOUNDRY COMPANY,

Petitioner,

against

ALLTEX PRODUCTS CORPORATION,

Respondent.

REPLY BRIEF OF PETITIONER

EDWARD S. ROGERS,
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GEORGE H. WALLACE,
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IN THE

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THE AMERICAN BRAKE SHOE AND FOUNDRY COMPANY,
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REPLY BRIEF OF PETITIONER

Respondent's answer to the petition proceeds as if the case was before this Court on the evidence, and as if the controversy concerned only the immediate parties to the suit. The writ was applied for because the courts below determined the case on the merits when they found the facts which require the relief which petitioner sought. This relief should have been granted if the lower courts had heeded *Armstrong Paint & Varnish Works* v. *Nu-Enamel Corporation,* 305 U. S. 315 and other decisions of this Court. The disregard of these binding precedents by the courts below raises a question of serious public importance, because it nullifies the Trade-Mark Act of 1920, to which this Court gave vitality and force in the *Nu-Enamel* case, and contravenes the law of unfair competition as heretofore established.

The District Court expressly found that "the plaintiff has established a secondary meaning of 'American Brake-blok' as indicating that it is the maker of the goods so marked" (R. 30), and that "the plaintiff's trademark

'American Brakeblok' although descriptive, was entitled to registration under the Trade-Mark Act of 1920" (R. 30). It necessarily follows that "National Brake Block" is a colorable imitation (*D. J. Bielzoff Products Co.* v. *White Horse Distillers,* 107 Fed. (2d) 583; *Moxie Nerve Food Co.* v. *Baumbach,* 32 Fed. 205; *In Re Coca-Cola Bottling Co. of Los Angeles,* 49 Fed. (2d) 838; *McLellan Stores Co.* v. *Conrad & Co.,* 18 Fed. (2d) 826; *Walter M. Lowney Co.* v. *Chandler & Rudd Co.,* 12 Fed. (2d) 189; *Coca-Cola Co.* v. *Old Dominion Beverage Corp.,* 271 Fed. 600), particularly since "Brake Block" alone means the plaintiff's lining to "a great many people", according to the District Court (R. 1454, 1461), and to "a substantial number of people," according to the Court of Appeals (R. 2089). Our adversaries forget that the act forbids the use of a "colorable imitation" of a registered mark (U. S. C. Tit. 15 Sec. 124). Where it is found that "American Brakeblok" has a secondary meaning designating petitioner's goods, and that "Brake Block" alone means this "to a great many people," for the courts below to hold that "National Brake Block" may be used by respondent deprives petitioner of a remedy which the statute confers, *i.e.* protection against colorable imitation.

The respondent's brief rests entirely on the assumption that the evidence showed, and that the District Court found, that "Brake Block" had not acquired a secondary meaning. The two points in respondent's brief are based solely on this premise. Thus, respondent argues (1) that *"Armstrong* v. *Nu-Enamel,* 305 U. S. 315, is inapplicable because of the finding of fact by the District Court of the absence of secondary meaning of 'brake block' * * *" (Respondent's Brief, p. 12); (2) that the District Court "having found

on adequate evidence that there was no secondary meaning as to the term 'brake block' it is futile to contend that it would be wrong to deliver defendant's product on a call for 'brake block'" (Respondent's Brief, p. 16). From this, respondent argues it was not infringement or unfair competition for it to use "Brake Block" in its trade name, for its dealers to sell "National Brake Block" on calls for "Brake Block", and for its salesmen to advise dealers to do just this.

If respondent is wrong in this basic assumption, its entire defense fails.

I. Both of the courts below found the facts which require the conclusion of law that the words "Brake Block" have acquired a secondary meaning as the trade name of plaintiff's brake lining.

This was first stated in a colloquy at the end of the case between the District Judge and petitioner's counsel:

> "Mr. Rogers: * * * the testimony is perfectly plain that a great many people say and ask for 'brake block' and mean American Brakeblok, and that is true.
>
> "The Court: Yes, that is true" (R. 1454).
>
> * * * * *
>
> "Mr. Rogers: * * * primarily and prima facie, brake block means the plaintiff.
>
> "The Court: Yes, I think that is so, and as I say, that is the whole business" (R. 1461).

To deny that this constitutes secondary meaning is to deny the principle itself. It is this consumer identification which constitutes secondary meaning (*Armstrong*

Paint & Varnish Works v. *Nu-Enamel Corporation,* 305 U. S. 315; *Elgin National Watch Co.* v. *Illinois Watch Co.,* 179 U. S. 665; *O'Cedar Corporation* v. *F. W. Woolworth Co.* [C. C. A. 7] 66 Fed. [2d] 363; *Barton* v. *Rex-Oil Co.* [C. C. A. 3] 29 Fed. [2d] 474).

The Court of Appeals said: "In spite of the absence of an express finding we think that the judge's disposition of the case implied the equivalent of such a finding", but immediately added: "However, we need not rest our decision on that assumption" (R. 2088). Judge Hand then specifically found the facts which establish the secondary meaning of "Brake Block" when he said:

> "* * * there are (car) owners who prefer the plaintiff's linings and expect to get them when they ask for 'brake block' " (R. 2090; interpolation ours).
>
> * * * * *
>
> "* * * there are a substantial number of people who understand 'brake block' to mean the plaintiff's linings, and we agree that this might have been enough to justify some relief in spite of the fact that there were also a number who did not so understand it" (R. 2089).

As this Court found that " 'Coca-Cola' probably means to most persons the plaintiff's familiar product" (*Coca-Cola Co.* v. *Koke Co.,* 254 U. S. 143, 146) so the Circuit Court of Appeals here found, "It is probably true that there are a substantial number of people who understand 'brake block' to mean the plaintiff's linings" (R. 2089). As this Court concluded that "Coca-Cola" "has acquired a secondary significance * * * to which the producer is entitled" (*Ibid*), so Judge Hand left no doubt that he considered the

secondary meaning of "Brake Block" established when he said (R. 2089):

> "At times courts have indeed seemed to assume that the owner of a secondary mark loses if he fails to show that substantially everybody supposes the mark to mean not only what it describes but that he, or some single maker or seller, is the source of the goods; but we need not go so far. *Arguendo* we will assume that if to a substantial part of the trade, though not by any means to all of it, a descriptive term has acquired a secondary meaning, competitors may be required to distinguish their wares in some way that will not impose upon them a disproportionally heavy burden. It is proper enough to protect a business though only a part of it is hurt; that accords with the principle which constitutes the whole law of the subject. *Hanover Star Milling Co.* v. *Metcalf,* 240 U. S. 403, 412-13, 414; *United Drug Co.* v. *Theodore Rectanus Co.,* 248 U. S. 90, 97; *Prestonettes, Inc.* v. *Coty,* 264 U. S. 359, 368; *Caron Corp.* v. *V. Vivadou, Inc.,* 4 Fed. (2) 995, 996-97; *Parfumerie Roger & Gallet* v. *M. C. M. Co., Inc.,* 24 Fed. (2) 698, 699; *Industrial Rayon Corp.* v. *Dutchess Underwear Corp.,* 92 Fed. (2) 33, 35.
>
> "In the case at bar this might have led us to give some relief, even though we did not forbid all use of the words 'brake block', except for the way in which these goods are marketed."

Unless "Brake Block" had a secondary meaning as the trade name (or abbreviation of the trade name) of petitioner's brake lining, and unless respondents trade name "National Brake Block" was deceptively similar to it, there would be no reason to grant relief against respondent's

use of these words in its trade name, had the goods been marketed with the label intact.

Unless "brake block" has a secondary meaning to car owners, as indicating the plaintiff's linings, they would not "expect to get them when they asked for 'brake block' " (R. 2090).

Unless it has a secondary meaning to dealers, they would not "know that the owner wants the plaintiff's" linings (R. 2089) "when they ask for 'brake block'."

Unless it has a secondary meaning to car owners, it would not be "unscrupulous" for dealers to sell "National Brake Block" on calls for "brake block".

Unless it has a secondary meaning, it would not be fraudulent for the defendant's own salesmen to advise them "to do just this" (R. 2089).

II. The Court of Appeals denied relief in spite of the secondary meaning of "Brake Block" and "American Brakeblok", not because of its absence.

The ground of the decision was that relief would be denied in spite of the secondary meaning of "Brake Block":

(1) Because of "the way in which these goods are marketed" (R. 2089), *i.e.*, with the label removed. This circumstance led the Court of Appeals to conclude: "If a dishonest repair shop or service station has meanwhile substituted the defendant's lining, the defendant's use of the word 'brake block' has not helped him in the fraud" (R. 2090).

(2) Because: "To succeed, the plaintiff was therefore bound to show that repair shops or service stations were deceived, and that it failed to do" (R. 2090).

(3) Because: "There is no evidence to impute to the defendant the proposals of some of its salesmen that dealers should fraudulently substitute the defendant's linings for the plaintiff's" (R. 2090).

The certiorari petition and brief were directed to showing why, it is believed, the Court of Appeals was in error in each of these three grounds for its decision. Respondent has not met any of these points.

III. Instead of answering the points upon which the petition for certiorari was based, respondent maintains that the conduct condemned by the Court of Appeals was right in the first place, and right to be continued.

Disagreeing with the Court of Appeals, respondent argues (in its items 1 to 6, inclusive) from the evidence that "Brake Block" does not mean the petitioner's product. Insisting that the Trial Court found that "Brake Block" had no secondary meaning, respondent argues that this was the correct result under the evidence. Therefore, respondent says that it was not wrong for it to use "Brake Block" as an important part of its trade name, coupled with "National" which suggests "American", although the Court of Appeals found there are "a substantial number of people who understand 'brake block' to mean the plaintiff's linings" (R. 2089); that it was not wrong for dealers to sell "National Brake Block" on calls for "Brake Block", although the Court of Appeals held that this amounted to substitut-

ing the "defendant's linings for the plaintiff's" (R. 2089); and that it was not wrong for defendant's salesmen to advise them "to do just this" (R. 2089), although the Court of Appeals characterized this proposal as fraudulent (R. 2090). In the words of the respondent's brief: "The Court having found on adequate evidence that there was no secondary meaning as to the term 'brake block' it is futile to contend that it would be wrong to deliver defendant's product on a call for 'brake block'" (p. 16).

Impervious to the rejection of this contention by the Court of Appeals, respondent maintains that it is right for it to continue to use "National Brake Block" as its trade name, for its dealers to continue to sell "National Brake Block" on calls for "Brake Block", and for its salesmen to continue to advise them to do this. Here, then, is a clear ratification of the past acts of the dealers and salesmen, and an authorization for their continuance.

IV. By maintaining the right of its dealers and salesmen to continue the conduct which the Court of Appeals was unwilling to attribute to the respondent, respondent has removed from the case two of the three grounds on which the decision of that Court was based.

1. It removes the question whether there is "evidence to impute to the defendant the proposals of some of its salesmen that dealers should fraudulently substitute the defendant's linings for the plaintiff's" (R. 2090), since respondent now ratifies these proposals and approves their continuance.

2. It removes the question whether respondent is chargeable with the fraud of its "unscrupulous dealers" in substituting its linings for the petitioner's, since respondent now ratifies the proposal by its agents to dealers that the dealers should do this, and approves the continuation of this conduct both by the dealers and the salesmen.

Thus the respondent withdraws two of the grounds upon which the Court of Appeals relied. On this basis, alone, it is respectfully urged that the certiorari petition should be granted, and the judgment of the courts below reversed.

V. It is impossible to distinguish this case from *Armstrong Paint & Varnish Works* v. *Nu-Enamel Corporation*, 305 U. S. 315, as respondent has sought to do.

There, as here, the District Court made no finding of secondary meaning and dismissed the complaint. On appeal, however, this Court held that "Nu-Enamel" had acquired a secondary meaning for enamel, because the record established the fact upon which this conclusion depended, namely, an admission by the defendant "that the name 'Nu-Enamel' has come to mean and is understood to mean * * * the plaintiff and plaintiff's products only * * *" (*Nu-Enamel Record*, p. 13). The only difference in this respect is that, in the present case, the fact that "Brake Block" is understood to mean plaintiff's brake lining was found by the Court of Appeals upon the evidence, and in the *Nu-Enamel* case it was found by this Court upon the defendant's admission. Respondent apprehends that this Court found a secondary meaning for "Nu-Enamel" only because

defendant therein conceded it. Mr. Justice Reed did not so regard it. He pointed out that the facts "justified petitioner's concession that the name means respondent and respondent's products only and the word distinguishes its goods from others of the same class" (*Armstrong Paint & Varnish Works* v. *Nu-Enamel Corporation,* 305 U. S. 315, 334).

In the present case, as in the *Nu-Enamel* case, there is no similarity of labels of plaintiff and defendant except in the trade names. Respondent is in error here when it says of the *Nu-Enamel* case: "The established facts in that case evidenced a slavish imitation by defendant of the shape, color, design and dress of plaintiff's package * * *" (Respondent's Brief, p. 12). A reference to the record in the *Nu-Enamel* case (pp. 7, 11) shows that the labels are wholly dissimilar; and that there is no mention of label imitation either in the complaint, the opinions, or the findings of this or the courts below.

The fact that in the present case the labels were sometimes removed before sale to the consumer does not differentiate it from the *Nu-Enamel* case. There the record showed numerous instances of passing off in which the purchaser "didn't see the can" at the time of the sale, because it was delivered to him in wrapping paper (*Nu-Enamel* Record, pp. 57-8). This fact had no more effect on the result in that case than in *Warner & Co.* v. *Eli Lilly & Co.,* 265 U. S. 526, and other cases cited at pages 14 and 15 of the certiorari petition and brief, where this was true even to a greater degree.

In the *Nu-Enamel* case, as in this, the dealers who passed off were not deceived, and knew exactly what they were getting, just as in *Warner & Co.* v. *Eli Lilly & Co.,*

265 U. S. 526, 530, and *Federal Trade Commission* v. *Winsted Hosiery Co.*, 258 U. S. 483, 493, where it was held that this fact did not relieve the defendant manufacturer from liability.

The only difference between this and the *Nu-Enamel* case is:

(1) That in that case "Nu-Enamel" was held to have acquired a secondary meaning for enamel, while in this case "Brake Block" was held to have acquired a secondary meaning for "the plaintiff's linings" in "long, narrow strips ordinarily not over three-eighths of an inch thick" (Ex. 2), which "are not properly 'blocks'" (Exs. 5, 8; R. 2087); and

(2) That in the *Nu-Enamel* case an injunction was granted without a finding of fraud by dealers, deliberately connived in by the defendant's salesmen, while in this case an injunction was denied in spite of an express finding of these facts by the Circuit Court of Appeals.

The present controversy arises from the failure of the respondent to distinguish the difference between primary and secondary meaning. Because of this, it fails to distinguish between a trade-mark use and a descriptive use of "Brake Block". Insisting that it has the right to use descriptive words in a descriptive way (which petitioner does not deny), it uses them only "as a trade-mark or trade name" which is prohibited by the principle of secondary meaning as declared in the *Nu-Enamel* case, although in the older cases, which the courts below had in mind (R. 30, 2089), denominative use was permitted when the products were otherwise differentiated.

Finding that "there are a substantial number of people who understand 'brake block' to mean the plaintiff's linings" (R. 2089), the Court of Appeals has found that it has a secondary meaning. Finding that "in the case at bar this might have led us to give some relief, even though we did not forbid all use of the words 'brake block', except for the way in which these goods are marketed" (R. 2089), it has found that the trade-mark "National Brake Block" is deceptively similar to "American Brakeblok", and its abbreviation "Brake Block". Finding that "apparently, unscrupulous dealers substitute the defendant's linings for the plaintiff's when they know that the owner wants the plaintiff's; and indeed there is some evidence that the defendant's own salesmen have advised dealers to do just this" (R. 2089), the Court of Appeals has added the final fact which establishes the right to relief.

The unscrupulous dealers "know that the owner wants the plaintiff's", because they know "there are owners who prefer the plaintiff's linings and expect to get them when they ask for 'brake block' " (R. 2090). Every dealer knows it when the car owner asks for "American Brakeblok", including those who passed off "National Brake Block" on calls for "American Brakeblok", and made no denial of it (Exs. 88, 91, 104).

In the words of Judge Hand, "It is the car owners whom the repair shops and service stations deceive" (R. 2090), and, as he says, the car owner is "the last buyer". This last buyer accepts the respondent's goods in the belief they are the plaintiff's, because its name "National Brake Block" is so similar to the name "American Brakeblok" and "Brake Block", by which the plaintiff's linings are known, as to suggest the deception to the repair shops and service sta-

tions. This deceptive similarity of defendant's name to plaintiff's is implicit in the twice-repeated statement of the Court of Appeals that it would have granted relief (R. 2089), but for the fact that the labels were removed by the service stations before sale to the last buyer. Unless the name on defendant's label was deceptively similar to plaintiff's, there would be no reason to grant relief. Respondent's use of this deceptive trade name suggested to its service stations and salesmen that the product be used in a deceptive way. It was in response to this deceptive suggestion that "unscrupulous dealers substitute the defendant's linings for the plaintiff's (R. 2089), and that "defendant's own salesmen have advised dealers to do just this" (R. 2089).

Respondent has been permitted to escape liability for its adoption of an unquestionably deceptive trade name, for the unquestionably fraudulent use thereof by dealers, and for the unquestionable connivance of its agents, for the reason:

(1) That the "unscrupulous dealers" deprive the purchaser of any opportunity to detect the fraud, by removing the respondent's deceptive labels before making the substitution which the name on the label suggests;

(2) That they do not pass off the defendant's goods innocently, in the belief they are giving the consumer "American Brakeblok", but deliberately, with knowledge that they are commiting the fraud which the respondent suggested to them by the deceptive trade name on the label;

(3) That the manufacturer of the goods bearing this deceptive trade-mark is not responsible when its dealers

follow this suggestion, even when its "own salesmen have advised dealers to do just this" (R. 2089), and the manufacturer defends their right to do it.

To the best of petitioner's knowledge, there are no cases which support these grounds for denying relief against this type of conduct. None is cited by the Court of Appeals, and none by the respondent. On the contrary, this Court has decided each one of these questions to the contrary, as set out in the certiorari petition and brief.

If this case is to stand, it will cause great uncertainty because of its conflict with earlier decisions, and become a refuge for those who engage in the practices of this respondent, its "unscrupulous dealers", and fraudulent salesmen. It ignores the Trade-Mark Act of 1920 by declining to follow the decision of this Court which made it an effective weapon against fraud. With respect to the courts below, the effect of this decision is to remove from the reach of Equity a type of conduct heretofore regarded by this Court, and by the courts below, as unfair competition in its most rudimentary form.

Respectfully submitted,

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Ed.